MAY 1936

The Real Estate ANALYST

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HOW NATIONAL ARE NATIONAL REAL ESTATE CYCLES

WHEN we say that real estate cycles are national, we do not mean that each community in the United States will experience the booms and depressions with equal intensity. We know that they will not. They never have in the past. At the height of the last boom, for instance, Miami, Florida, was building new family accommodations at the rate of 545 per month per ten thousand families; while Savannah, Georgia, was building at the rate of 15 per month per ten thousand families. In no two cities were the increases in rents and values the same. In Portland, Maine, residential rents increased 30% and in Portland, Oregon, they increased 85%. These are, of course, extreme examples of divergence.

In the great majority of American cities the movements were more nearly comparable. In half of the larger cities, for instance, the percentage of increase in residential rents fell between 70% and 90%, and new building at the peak produced from 32 to 70 new family accommodations per month per ten thousand families.

What will determine the height to which the boom will go in your city? It seems that the principal factor is the rate of growth in the metropolitan area. In a community which is growing very rapidly, vacancy disappears, rents and values rise due to the shortage and a great deal of new building is done. This new building in itself, through the employment it provides, helps to generate boom conditions. On the other hand, in cities which are not growing rapidly a large part of the building is for replacement, and it is therefore quite limited in volume in comparison with that of the rapidly growing communities.

Our figures on individual cities would tend to indicate that, while there has been some difference in intensity, all cities have experienced all of the major real estate booms and depressions. There is no city of any size, for instance, that did not experience a general increase in real estate values during the late eighties, during the early nineteen hundreds, and during the early twenties. In the same way, each of these cities experienced real estate depressions in the nineties, during the World War, and during the past few years; and we are positive that each will experience a very decided increase in values and activity during the next few years.

There have been but slight differences in the timing of these booms and depressions in different cities, and we believe that with few

exceptions there will be but slight differences in the timing of the recovery. As a general rule, rapidly growing cities and cities showing the greatest degree of industrial activity will be the first to recover. Miami, Florida; Washington, D. C.; and Detroit are already well on the way.

At the present time New York, Philadelphia, and Chicago are lagging most other cities in real estate recovery. We believe this is due primarily to the fact that these cities represent the "overhead" centers of the United States. A person interested in real estate in any one of these cities would do well to watch the rate of recovery in other cities, as these three cities will gradually respond to national improvement but will not lead it. What is now happening in many other cities forms a forecast of what will happen in these larger places.

The cycles for commercial and industrial properties are very similar to the cycles for residential properties, but there is some lag in recovery. Office and store vacancy, while past the peak, is still high; and rents have not yet seen the increases experienced in residential properties. Commercial building will reach its peak several years after residential building has passed the top.

The rural cycle is slightly different again. During the last boom it hit its peak in 1920, about four years before the urban cycle reached the top. Only in Florida did rural values reach a second peak in 1925 and 1926. In all other states agricultural values had dropped considerably by that time. The depression low was passed in 1933 in all states except Colorado, Connecticut, Massachusetts, New Hampshire, and South Dakota. These states are just now starting to gain back their losses in agricultural land values. The New England states in this group, however, stood up very well during the depression and still average 8% above pre-war as against 21% below it for the average of the forty-eight states. Colorado and South Dakota are still 46% below pre-war prices for farm lands. The continued drought and soil erosion are responsible for this showing.

By and large, however, real estate cycles are national in scope for urban and rural communities and for residential,commercial and industrial properties. The urban cycle affects all big cities and influences smaller ones. The rural cycle influences all farms and has some direct effect on smaller agricultural cities and towns.

REAL ESTATE TRANSFERS IN PRINCIPAL CITIES 1930-1936

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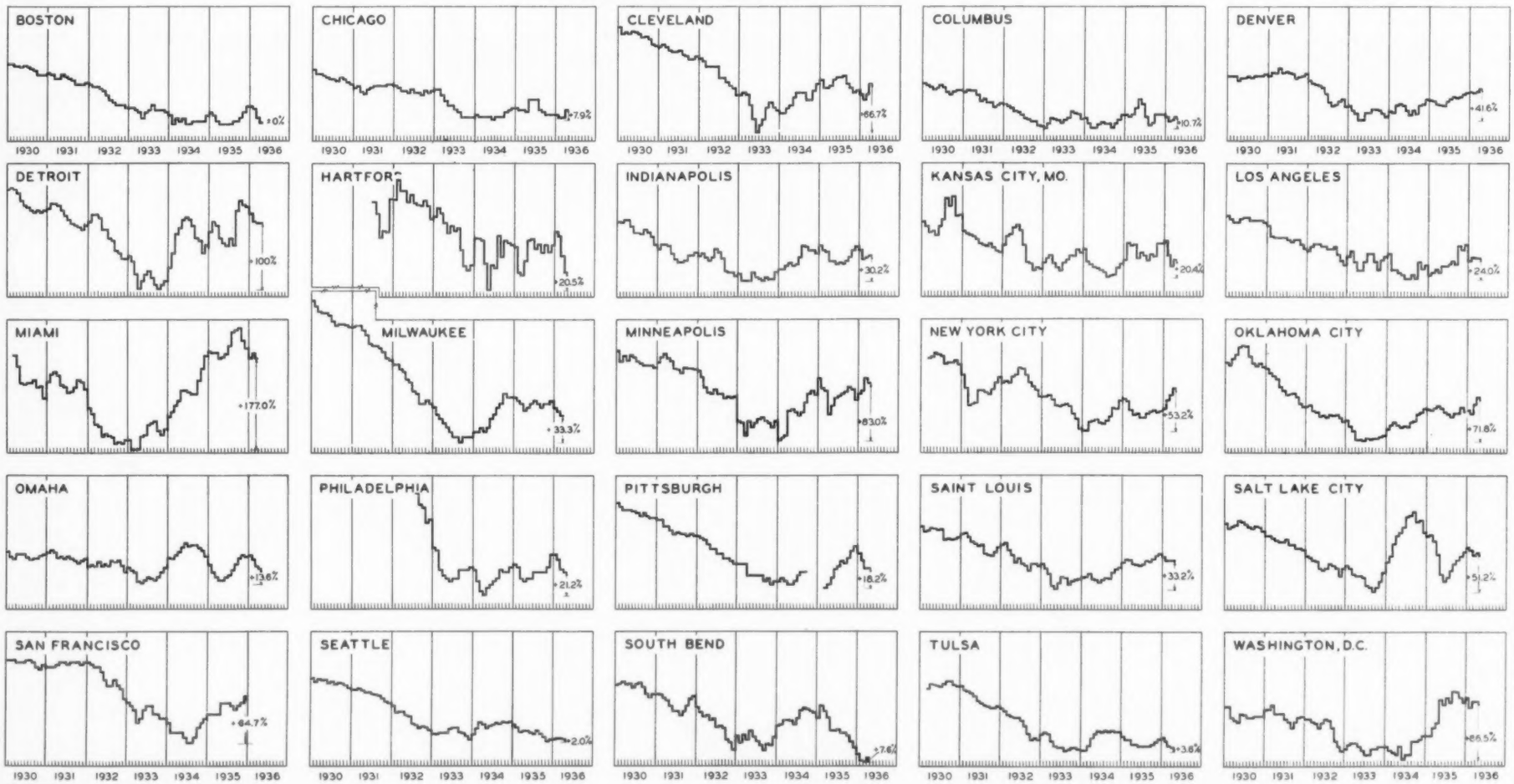

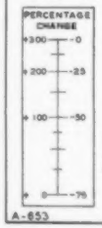

THE percentage of increase or decrease in the number of voluntary transfers of real estate in any city can be approximated by using the thermometer scale to the left. Measure all increases from the bottom "0" on the left hand side of the scale; and all decreases, from the top "0" on the right hand side. This chart shows the last six years' experience in selected principal cities more or less typical of their areas. The small figure in the 1936 space shows the present percentage above the depression low.

AVERAGE ADVERTISED SINGLE FAMILY DWELLING RENTS 1935-1936

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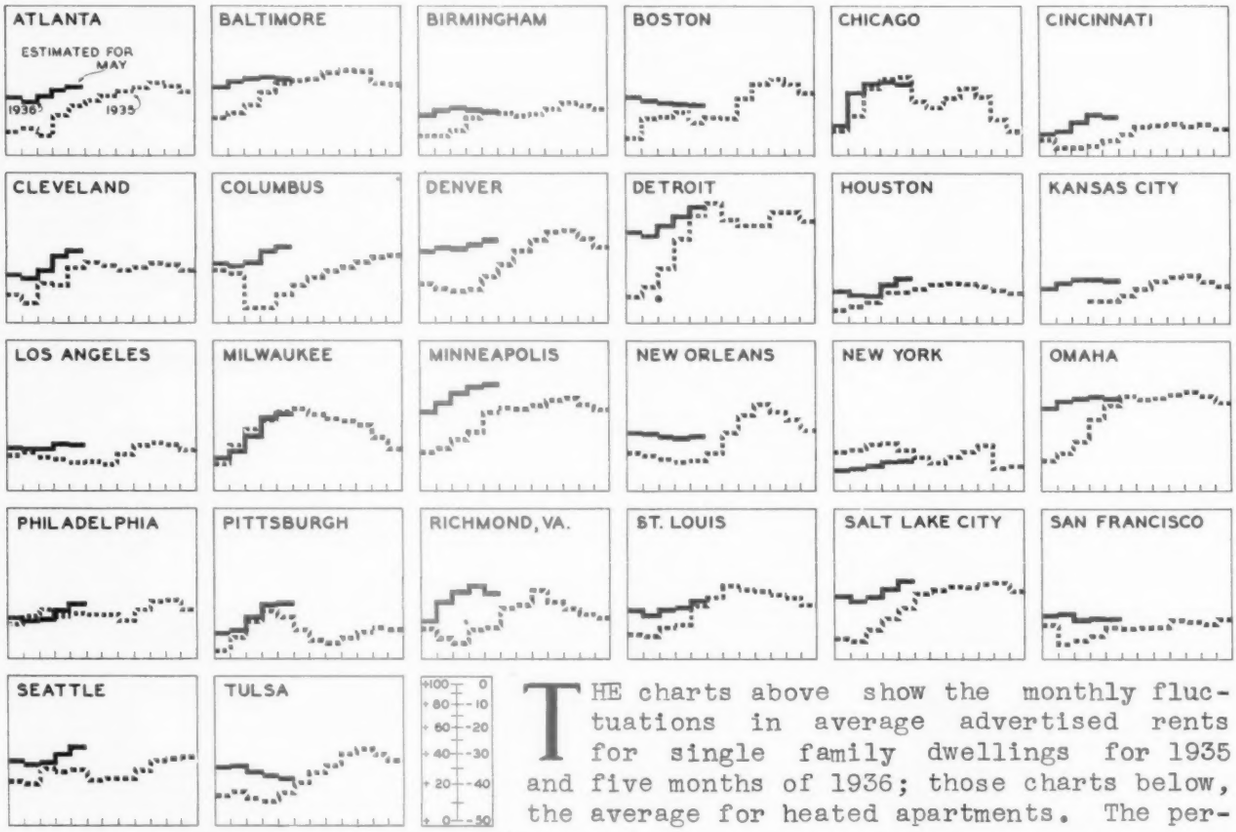

THE charts above show the monthly fluctuations in average advertised rents for single family dwellings for 1935 and five months of 1936; those charts below, the average for heated apartments. The per-

AVERAGE ADVERTISED APARTMENT RENTS 1935-36

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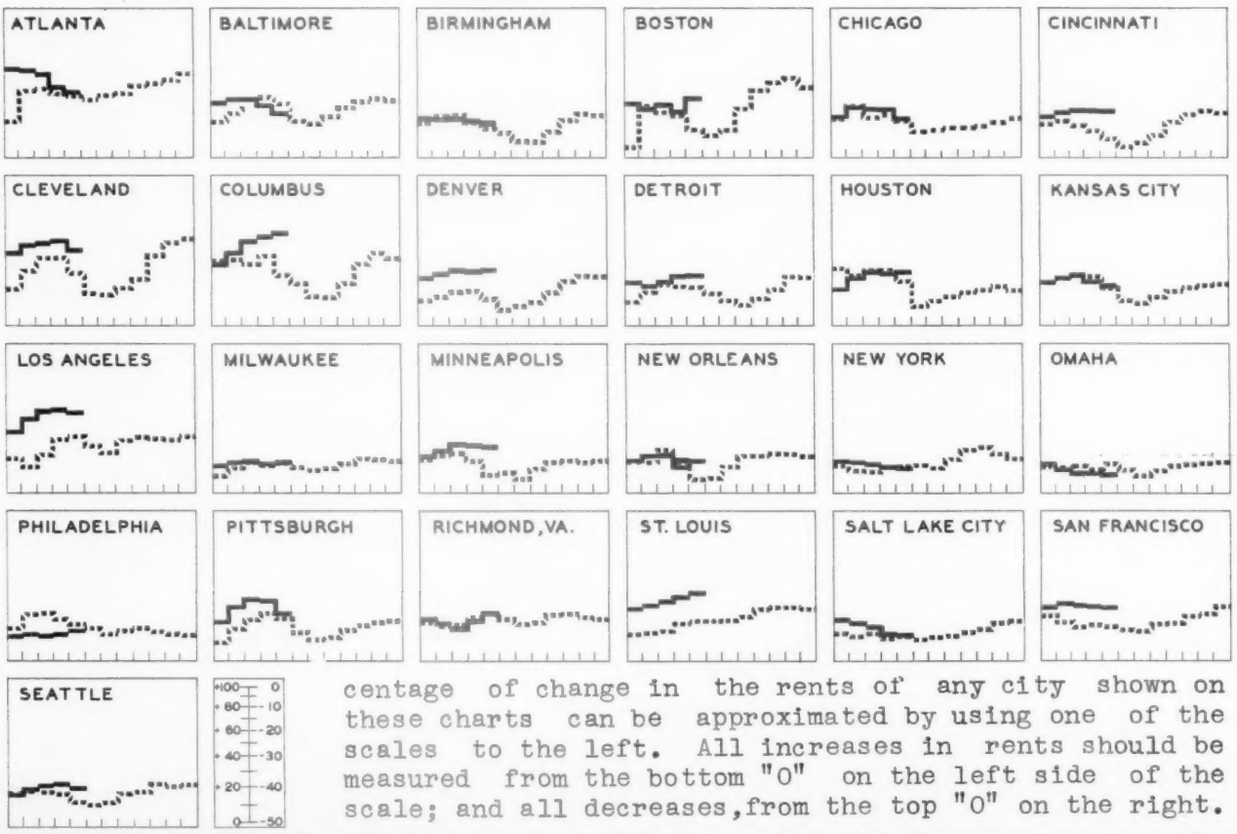


centage of change in the rents of any city shown on these charts can be approximated by using one of the scales to the left. All increases in rents should be measured from the bottom "0" on the left side of the scale; and all decreases, from the top "0" on the right.

ADVERTISED RENTALS ON DWELLING UNITS

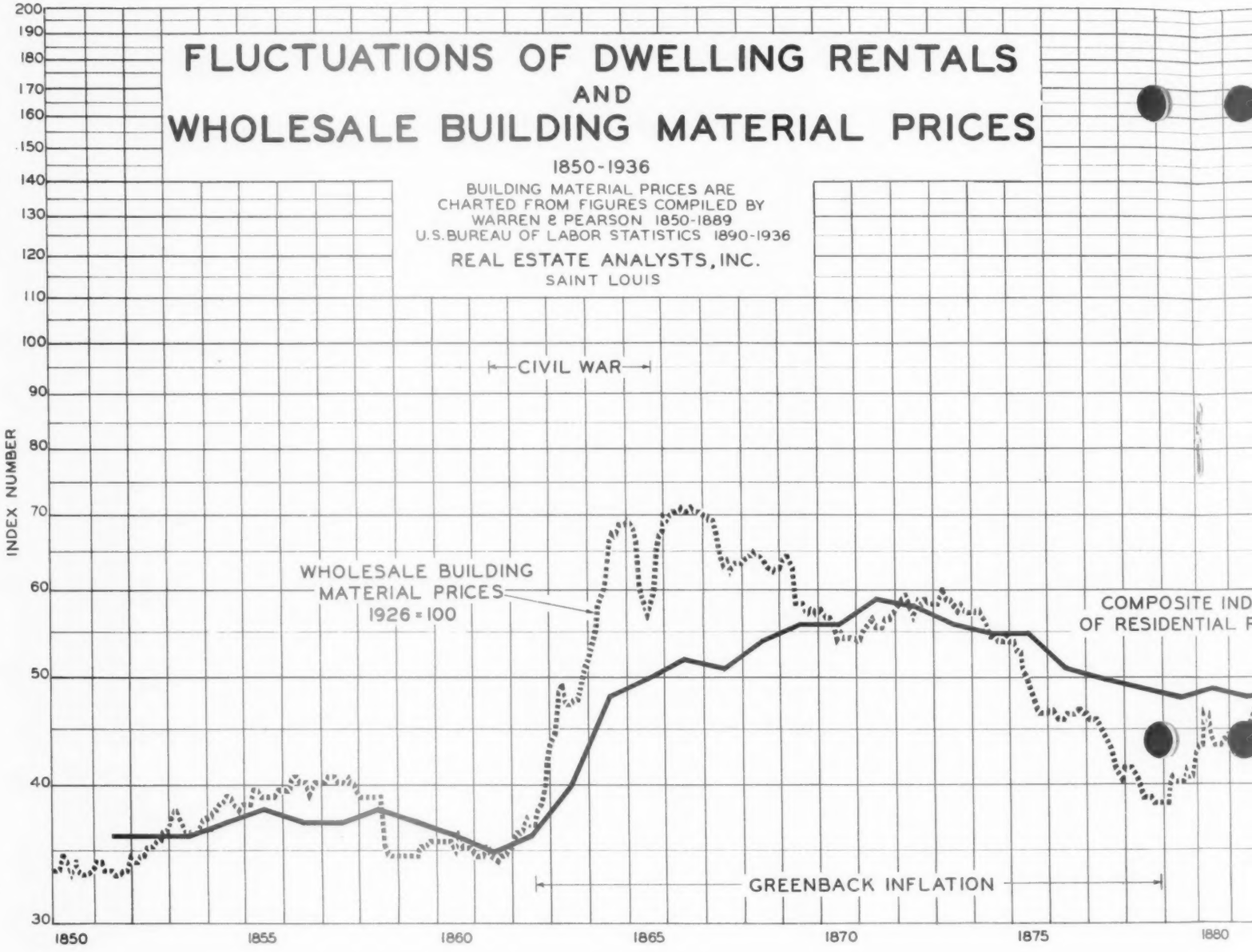
THE Real Estate Analyst computes the average advertised rents of residential units of various types each month in the twenty-six metropolitan cities listed below. The figures given are average rents per month per room for all units of each type, large and small, advertised in the classified columns of the leading newspapers of each city.

The average of all places advertised for rent will vary considerably from month to month due to the inclusion some months of a larger number of either high or low priced units. That the trend is definitely up in most cities is indicated by the figures below and the charts opposite.

The May figures are preliminary, based on the advertisements appearing during the first two weeks of the month. In a majority of the cities these preliminary figures are above the final figures for May, 1935.

		1935								1936				
		May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	*May
SINGLE FAMILY DWELLINGS	Atlanta	$6.47	$6.62	$6.78	$6.93	$7.09	$7.25	$7.12	$6.93	$6.68	$6.59	$6.71	$6.97	$7.16
	Baltimore	5.77	5.86	5.88	6.10	6.16	6.15	5.79	5.75	5.69	5.82	5.95	5.97	5.88
	Birmingham	5.01	4.96	4.90	4.94	5.06	5.22	5.15	5.08	4.96	5.03	5.06	5.03	4.90
	Boston	6.51	6.69	6.68	7.34	7.91	8.11	7.89	7.55	7.47	7.27	7.17	7.15	7.13
	Chicago	10.46	9.21	8.94	9.39	9.84	9.45	8.42	7.98	8.63	9.66	10.32	10.37	10.18
	Cincinnati	7.60	7.83	8.14	8.20	8.22	8.16	8.23	8.02	7.92	7.96	8.35	8.68	8.59
	Cleveland	7.95	8.18	8.02	7.88	7.94	8.11	8.08	7.84	7.59	7.56	7.88	8.40	8.67
	Columbus	4.65	4.88	5.07	5.21	5.31	5.45	5.59	5.61	5.42	5.36	5.44	5.71	5.88
	Denver	5.08	5.39	5.75	6.07	6.31	6.35	6.11	5.89	5.77	5.84	5.82	5.96	6.10
	Detroit	8.59	9.13	8.40	8.18	8.18	8.75	8.75	8.33	7.93	7.74	8.12	8.56	8.95
	Houston	7.02	7.18	7.32	7.39	7.38	7.24	7.10	7.01	7.00	6.92	6.84	7.20	7.43
	Kansas City	4.51	4.64	4.79	4.98	5.08	5.10	4.96	4.85	4.84	4.92	5.00	5.00	4.97
	Los Angeles	8.12	8.13	8.02	8.48	8.85	8.97	8.87	8.64	8.68	8.72	8.74	8.95	8.91
	Milwaukee	8.91	9.08	8.81	8.61	8.52	8.36	7.87	7.41	7.17	7.35	7.90	8.59	8.78
	Minneapolis	5.94	6.08	6.06	6.15	6.31	6.36	6.18	6.02	6.04	6.22	6.49	6.69	6.73
	New Orleans	4.69	4.85	5.39	5.88	6.20	5.98	5.71	5.43	5.41	5.36	5.28	5.25	5.27
	New York	12.35	11.98	11.59	11.96	12.23	12.57	11.82	11.36	10.93	11.11	11.40	11.69	11.70
	Omaha	6.15	6.43	6.35	6.37	6.50	6.59	6.45	6.22	6.14	6.27	6.34	6.38	6.35
	Philadelphia	5.67	5.63	5.63	5.48	5.77	6.01	6.02	5.78	5.46	5.46	5.52	5.79	5.96
	Pittsburgh	7.43	6.99	6.62	6.52	6.70	6.89	7.03	6.98	6.81	6.98	7.41	7.84	7.86
	Richmond	5.86	6.45	6.66	7.03	6.66	6.44	6.24	6.16	6.17	6.65	6.98	7.18	6.90
	Saint Louis	6.55	6.82	7.24	7.11	7.05	6.91	6.81	6.59	6.45	6.27	6.43	6.48	6.71
	Salt Lake City	5.18	5.56	5.66	5.76	5.74	5.82	5.83	5.63	5.49	5.33	5.49	5.58	5.75
	San Francisco	7.07	7.03	7.06	7.07	7.31	7.28	7.19	7.35	7.55	7.54	7.36	7.36	7.36
	Seattle	5.30	5.05	5.07	5.07	5.31	5.56	5.62	5.65	5.55	5.45	5.51	5.70	5.90
	Tulsa	5.92	6.21	6.53	6.76	7.17	7.33	7.16	6.92	6.77	6.74	6.56	6.42	6.36
HEATED APARTMENT UNITS	Atlanta	9.52	9.38	9.58	9.68	10.01	10.19	10.33	10.67	10.89	10.91	10.42	10.00	9.78
	Baltimore	11.79	10.88	10.72	11.04	11.59	11.97	12.04	12.00	11.93	12.05	12.02	11.65	11.23
	Birmingham	8.12	7.93	7.63	7.61	8.00	8.48	8.71	8.64	8.61	8.54	8.57	8.45	8.38
	Boston	10.44	10.12	10.40	11.59	12.68	13.17	13.46	12.79	12.17	11.55	11.68	11.13	11.85
	Chicago	11.49	10.88	10.92	11.04	11.04	11.15	11.35	11.66	11.85	12.26	12.14	11.86	11.32
	Cincinnati	9.93	9.57	9.72	10.10	10.78	11.24	11.40	11.28	11.26	11.36	11.47	11.45	11.41
	Cleveland	9.14	8.26	8.22	8.49	8.88	9.99	10.54	10.80	10.40	10.49	10.77	10.82	10.37
	Columbus	8.40	8.06	7.56	7.52	8.06	8.89	9.34	9.11	9.07	9.38	9.94	10.16	10.39
	Denver	9.76	9.24	9.40	9.60	10.06	10.65	10.95	10.90	10.87	11.02	11.24	11.16	11.20
	Detroit	10.36	10.00	9.65	9.45	9.73	10.22	10.87	10.86	10.49	10.40	10.70	10.93	10.98
	Houston	8.13	7.20	7.39	7.54	7.70	7.77	7.91	7.76	8.00	8.29	8.59	8.53	8.58
	Kansas City	6.65	6.24	6.18	6.36	6.52	6.67	6.73	6.77	6.88	7.00	7.11	6.86	6.76
	Los Angeles	11.28	10.85	10.43	11.11	11.27	11.23	11.17	11.31	11.87	12.31	12.79	12.82	12.70
	Milwaukee	9.91	9.70	9.56	9.63	9.87	10.10	10.09	10.00	9.88	9.95	10.02	9.95	9.99
	Minneapolis	8.21	8.31	8.06	8.48	8.78	8.81	8.76	8.82	9.18	9.29	9.59	9.57	9.53
	New Orleans	7.52	7.54	8.01	8.48	8.48	8.55	8.53	8.45	8.41	8.49	8.53	8.01	8.36
	New York	17.18	17.24	17.10	17.85	18.69	18.92	18.30	17.83	17.58	17.56	17.40	17.20	17.14
	Omaha	10.45	10.17	9.87	10.13	10.32	10.40	10.43	10.47	10.54	10.21	10.00	9.73	9.85
	Philadelphia	13.79	13.55	13.24	13.40	13.63	13.37	13.24	13.16	13.20	13.23	13.08	13.23	13.41
	Pittsburgh	9.91	9.24	8.91	9.02	9.35	9.56	9.70	9.77	9.91	10.51	10.96	10.82	10.21
	Richmond	10.23	9.89	9.62	9.66	10.03	10.07	9.96	9.87	9.70	9.69	9.41	9.75	10.22
	Saint Louis	9.19	9.19	9.22	9.41	9.76	9.81	9.81	9.74	9.79	9.94	10.17	10.37	10.51
	Salt Lake City	9.08	8.92	9.01	9.06	9.22	9.38	9.68	9.74	9.91	9.70	9.50	9.16	9.13
	San Francisco	10.67	10.52	10.50	10.82	10.90	11.33	11.41	11.82	11.83	12.01	11.93	11.83	11.80
	Seattle	9.69	9.51	9.65	10.06	10.21	10.58	10.48	10.52	10.23	10.37	10.53	10.60	10.49

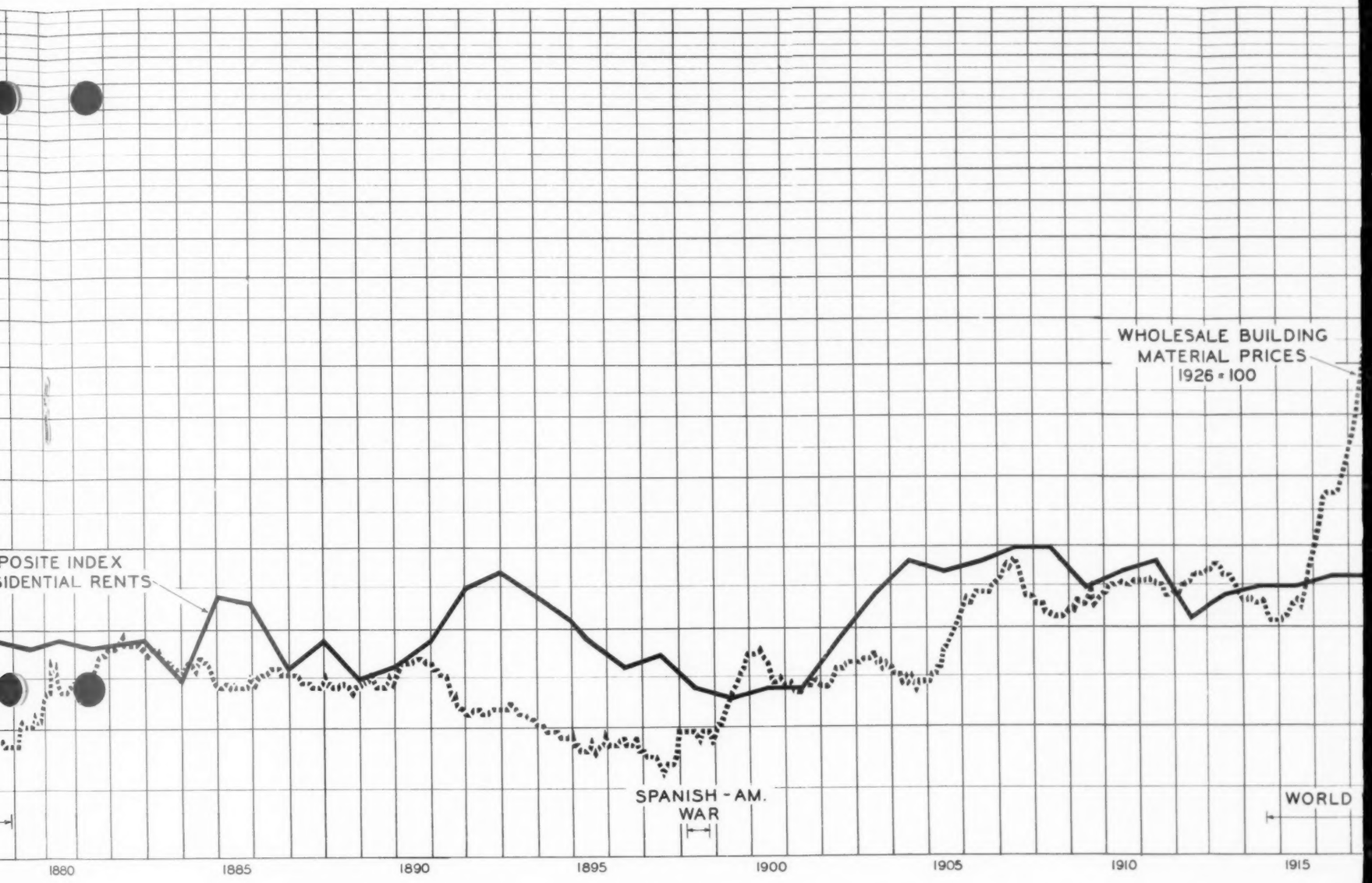
*Preliminary



LONG TERM TRENDS IN RESIDENTIAL RENTS

THE long chart above is, we believe, the first effort ever made to trace national rental movements over a long period of years in the United States. All cities have been studied where it has been found possible to compile data, and the figures of all of these cities have been combined into a single line representing the average fluctuations. This line, like all lines computed by Real Estate Analysts, Inc., will be revised from time to time as additional cities can be added to our figures.

For comparative purposes the fluctuations in building material prices have been indicated by the dotted line. We would much prefer a line showing the fluctuations of actual building costs including labor and overhead, but we know of no index of this sort covering the earlier years of our chart. Our own index of this type has been completed back only to 1900. It is quite similar to the building material price line in its fluctuations, with the exception of the period of 1915-1920. During this



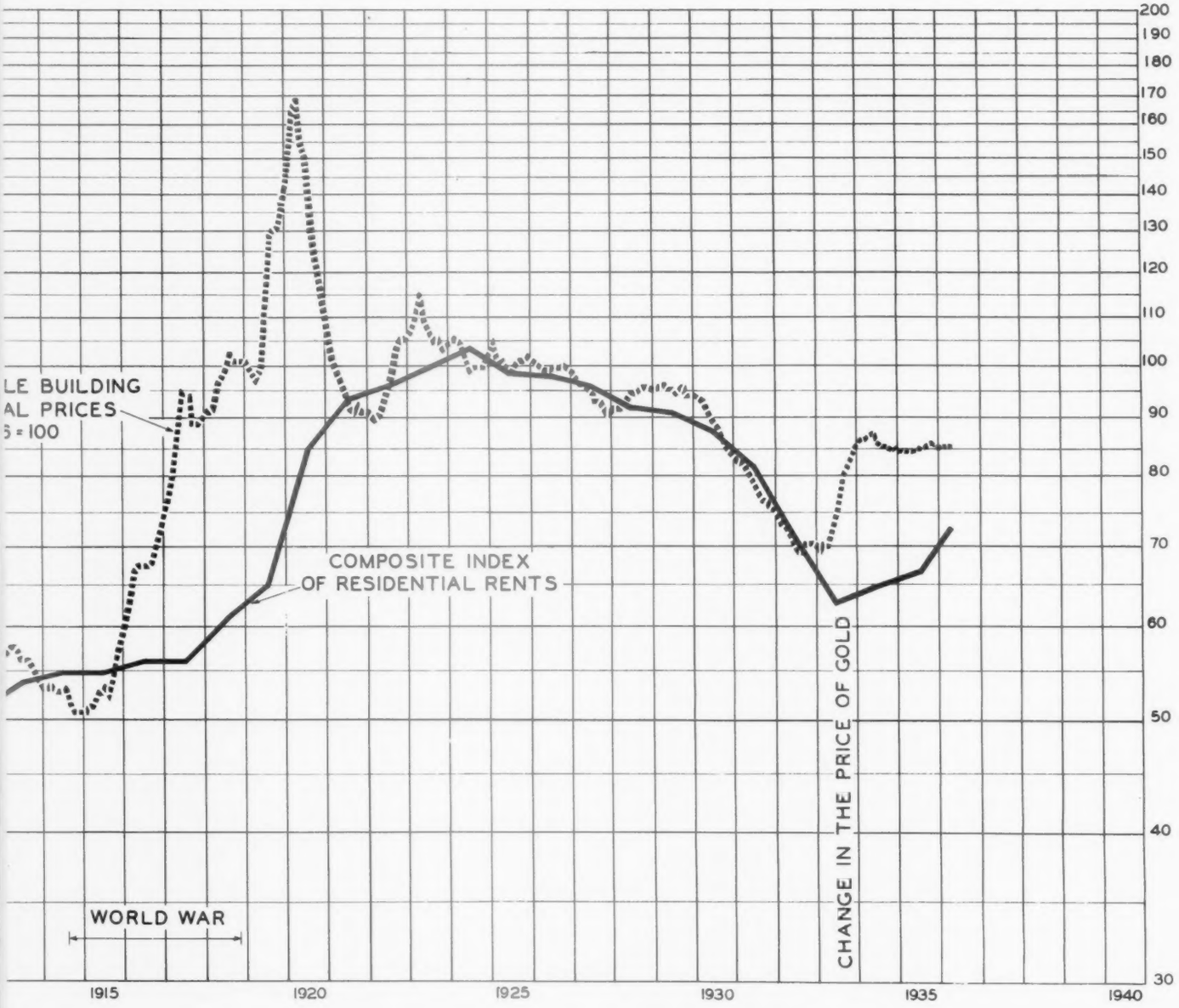
period building material prices rose at a much faster rate than the total cost of building, as labor rates did not increase until the building boom was well under way.

The comparison of building costs with rentals over the eighty-six year period shown on this chart leads us to the following conclusions:

1. Both rentals and building material prices have shown a constant upward trend over the entire period of the chart.

2. During the beginning of the greenback inflation, 1862-1878, and the beginning of the credit inflation, 1915-1929, building material costs rose in advance of rentals. The same thing is happening again in the present period.

3. In both the greenback inflation period and the credit inflation period rentals eventually rose until they reached the new building material price levels.



4. In both of these periods new building stopped when building costs rose in advance of rentals; housing shortages developed, forcing rentals up to the new levels of construction costs before new building started in any volume.

Since we are primarily interested in the future, what can be expected during the next few years as the result of these trends? It seems that the logical deductions are:

1. Either building costs must drop or rentals must continue to rise until they again reach the building cost line. Until that happens the volume of building will not reach boom proportions.

2. Building costs are not apt to drop by any sizable percentage in the near future. We believe that if general commodity prices continue to advance--and

(continued on page 556)

"THE COMING BOOM IN REAL ESTATE AND WHAT TO DO ABOUT IT."

Roy Wenzlick, the editor of the Real Estate Analyst, has just published a book by this title. Each of our subscribers is receiving a copy. This book attempts to summarize the present position of real estate and to give practical advice based on the present trends. To subscribers of the Real Estate Analyst who are not familiar with the studies we have made during the past eight years, it will provide a background which will help to correctly interpret the current studies.

(continued from page 554)

it is probable that they will in view of the credit inflation now incubating--building material prices will advance by at least an equivalent percentage. If general commodity prices advance to the 1926 level, mentioned so often as the ideal by President Roosevelt, we believe that building material prices will go beyond the 1926 level.

3. It seems to us that building mechanics will receive higher wages as soon as building starts in any volume. It has been ten years since the top of the last building boom and six years since unemployment in the building trades became the rule rather than the exception. During this period many skilled mechanics have died; others have grown too old to work. No new apprentices have gone into an apparently overcrowded field. A shortage of skilled labor is inevitable and a demand greater than the supply always spells higher prices.

It seems to us, therefore, that rents must continue to advance during the next few years and that the advancing of rents will eventually bring about the building boom.

In our March, 1934, report we called attention to these various relationships and showed the five charts reproduced on the opposite page. We said in the explanation which accompanied them:

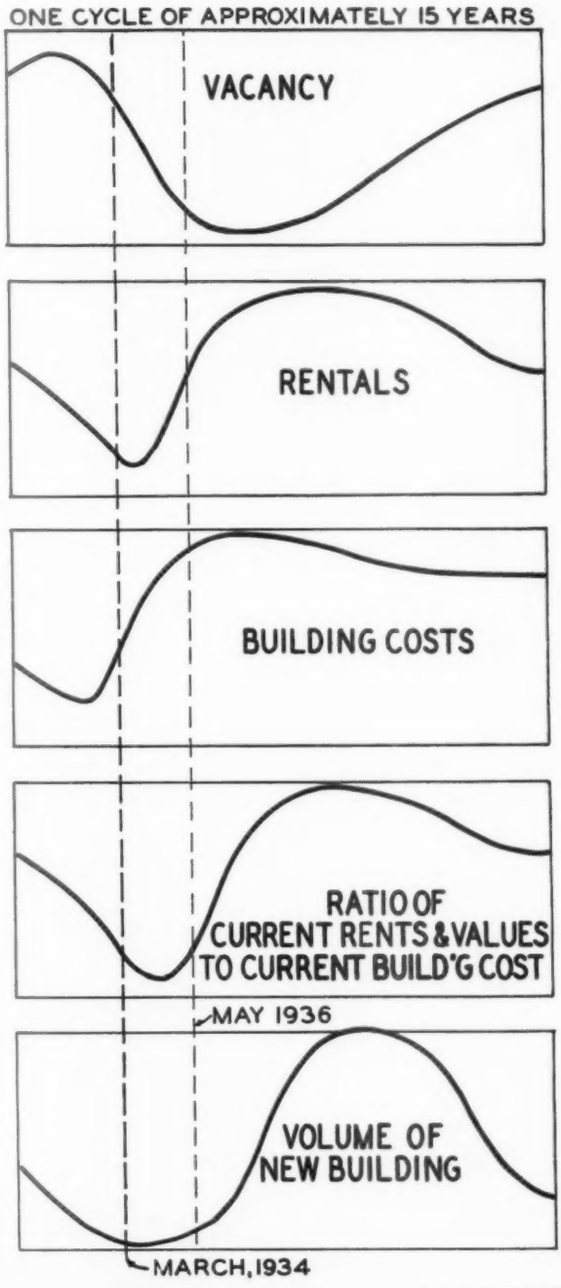
"In this series of charts we have purposely omitted any definite scale of years or values, as it is impossible to forecast with exactness ten to twelve years in advance....We are more interested in this series of charts in getting the relationships of the various factors in mind than we are in whether the height of the next building boom will come in March or April of 19??. These relationships are fundamental and follow each other inevitably as indicated in the charts."

The only addition we have made to these charts is the dotted line labeled "May, 1936". With the exception of the building cost line shown on the third chart, these factors have been changing in a fashion very much in accord with our rough indications of more than two years ago. Residential vacancy has dropped to less than half of its level of twenty-six months ago. Dwelling rents have stabilized and are now moving up until the average of the country is back to about the 1931 or 1932 level. Building costs have not yet advanced as far as our chart would indicate. The NRA was still a factor when this chart was drawn. Due to this fact the ratio of current rents and values to current building costs has advanced slightly faster than our chart would indicate. The volume of new building is almost exactly correct as shown on the chart.

The rapidity of the future movements of these lines will depend largely on the rapidity of general business recovery. It seems to us that real estate has almost caught up with the general business situation. If the real estate improvement is to continue, if vacancies are going to continue to drop, rents to rise and new building to make gains in comparison with a year ago, general business must carry part of the load. The latest figures available on general business (April) show a substantial improvement, especially in the durable goods field.

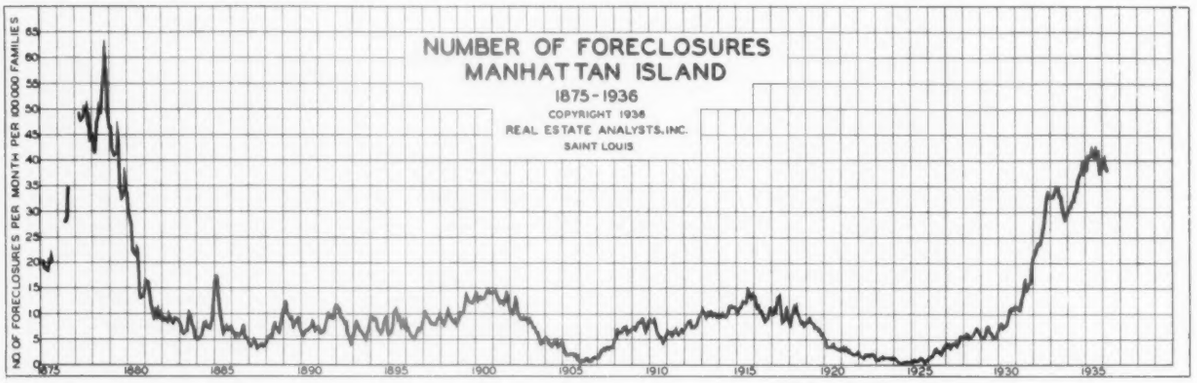
THE fact that this is an election year may have a slight effect on business, but we are inclined to believe that the dampening effects of an election year are often overemphasized. By marking the election years on the long chart in the April issue (pages 538-540) it is possible to get some sort of a picture of the effects of election years on both general business and real estate.

In the tabulation below we have tried to show the general trend from January to November in each election year from 1876 to the present. It will be noticed that in five years the general business trend was down, in three it was up, in three no trend was evident, and in four it was down the early part of the year and then decidedly up. While the ups and downs in real estate came at different times, they add up in about the same way.



Year	Gen. Business	Real Estate
1876	No trend	Down
1880	Down	Level-Down
1884	Down	Level-Down
1888	Down-Up	Down-Up
1892	Down-Up	Up-Level
1896	Down	Down
1900	Down	Down-Up
1904	No trend	Up
1908	Up	Up
1912	Up	Up-Down
1916	No trend	No trend
1920	Down	Down
1924	Down-Up	Down-Up
1928	Up	Down
1932	Down-Up	Down

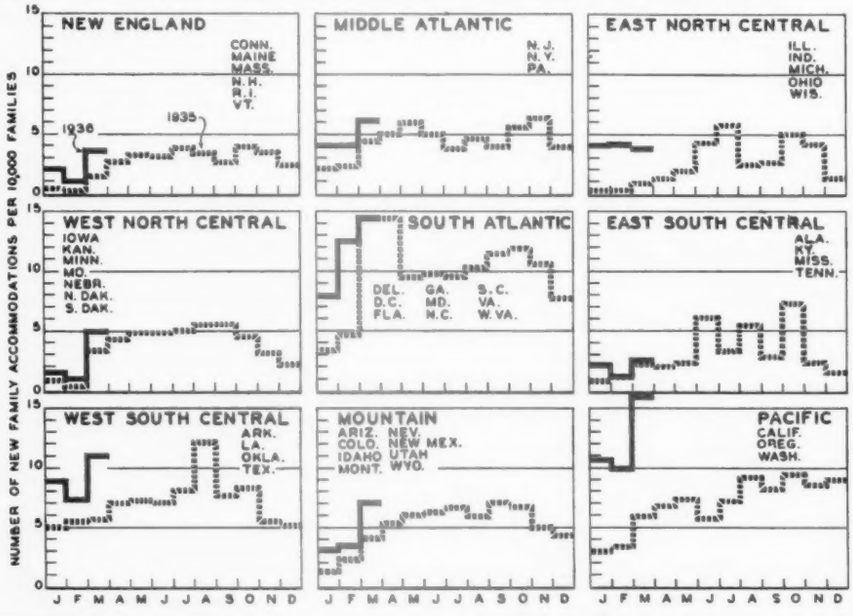
The evidence does not seem convincing here although the "downs" outweigh the "ups". A careful analysis seems to indicate that the election "complex" seemed to be strongest in years when the election was close and some fundamental issue was clearly defined.

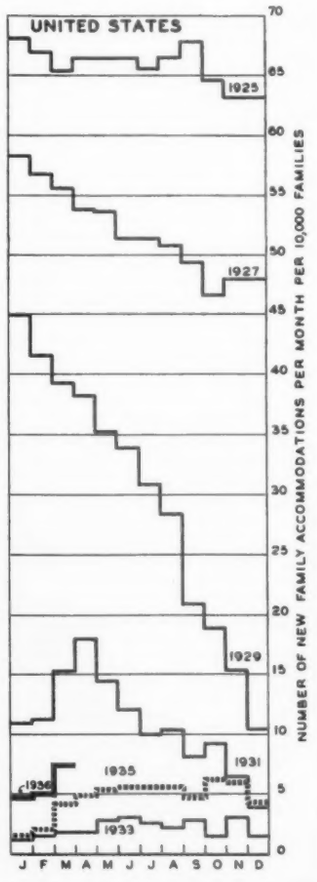


THE chart above shows the number of foreclosures per month per 100,000 families for Manhattan Island from 1875 to the present. The height of the peak in 1878 is quite interesting. It was a result of the deflation brought on by the return to the gold standard after the greenback period of the Civil War. The act providing for this return was passed in 1875 and became effective in January, 1879. Notice how these dates synchronize with the beginning and ending of the period of heavy foreclosures. Foreclosures went higher in this earlier period in relation to families because land at that time was held in smaller parcels than it is at present.

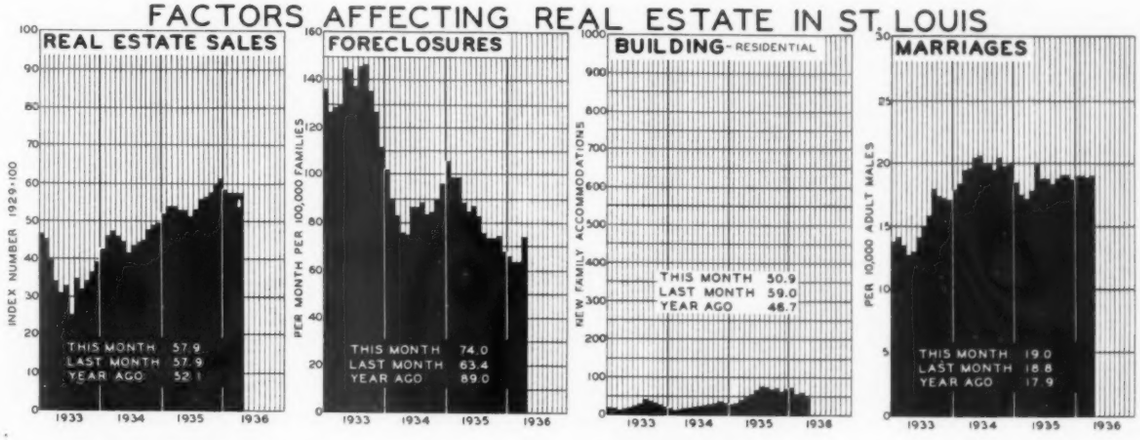
RESIDENTIAL BUILDING BY REGIONS

THE charts below show the monthly volume of residential building in various regions by months for 1935 and three months of 1936. The tall chart at the right is drawn to the same scale as the smaller charts and compares the present volume of building in the United States with the volume for a number of past years. In each chart the volume of new building is expressed as the number of new family accommodations provided per month for each 10,000 families.





FACTORS AFFECTING REAL ESTATE IN ST. LOUIS



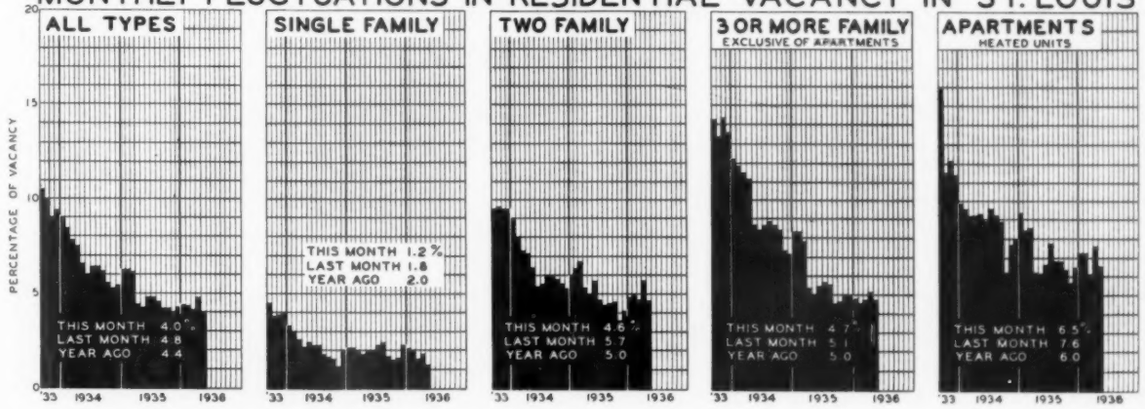
REAL Estate Analysts, Inc., has always made an intensive study of Greater Saint Louis on the assumption that an exhaustive, precise study over a long period of years of all factors affecting real estate in a single representative community is often of greater value in determining the sequence of events in collapse and recovery than is a more general study of the entire country. In addition to the charts on this page, other Saint Louis figures are shown on pages 549, 550, and 551.

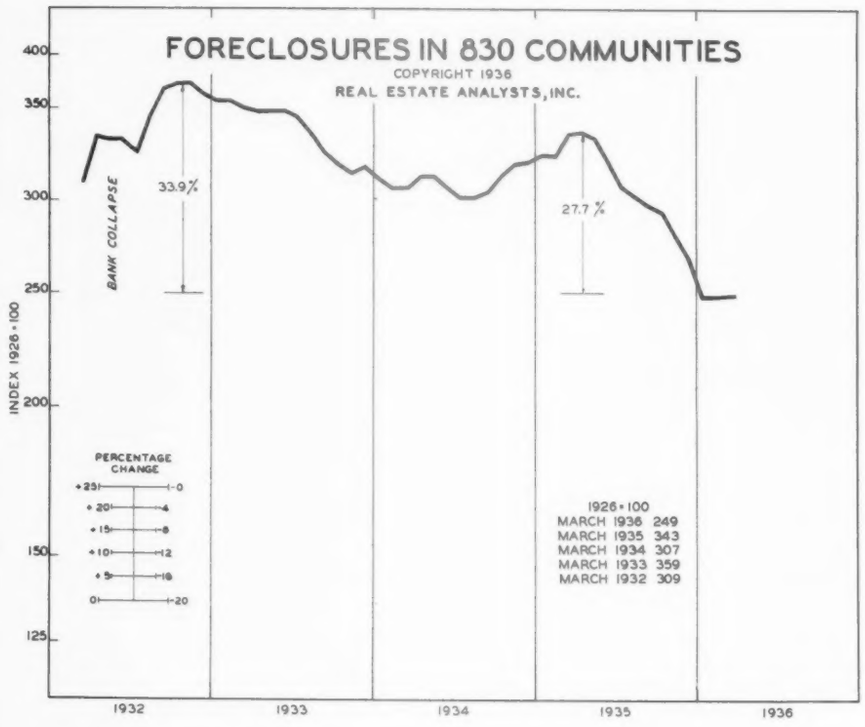
Total residential vacancy in St. Louis decreased during the past month by more than 800 units--from 4.4% on April 7 to 4.0% on May 5. All types of units experienced the decrease. Single family dwellings showed the largest decrease; and three or more family units, exclusive of heated apartments, the smallest.

The number of vacant residential units for November, 1932, and for May of the last three years is shown in the following table:

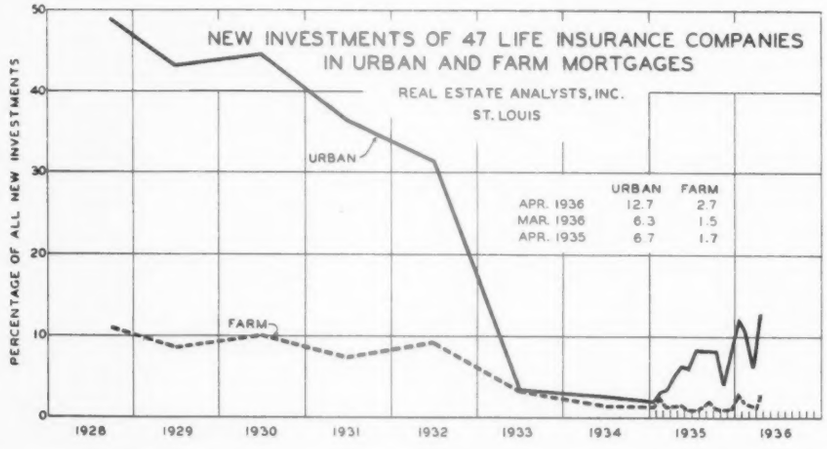
Date	Number of Vacancies	Percentage of Vacancy
November, 1932	28,207	12.8
May, 1934	14,700	7.5
May, 1935	9,750	4.4
May, 1936	8,930	4.0

MONTHLY FLUCTUATIONS IN RESIDENTIAL VACANCY IN ST. LOUIS

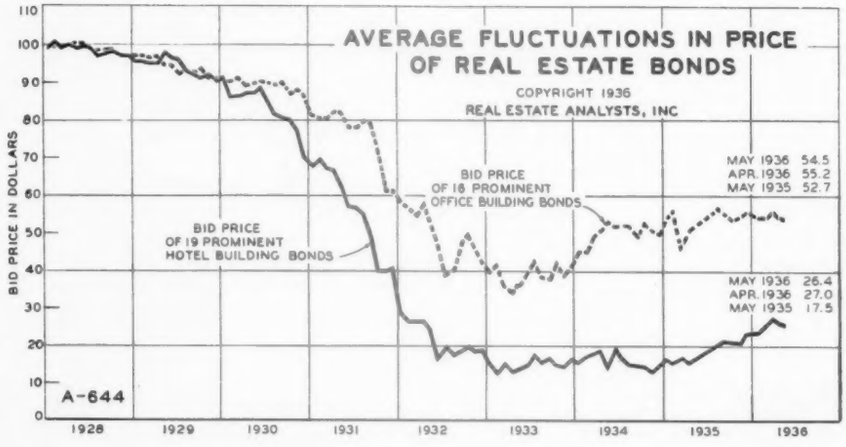




THE chart to the left shows the monthly fluctuations in eight hundred and thirty rural and urban communities scattered throughout the United States. Foreclosures are now 33.9% below the peak in 1932 and 27.7% below the 1935 peak. During the last two months there has been no decrease in foreclosures after seasonal correction, due, we believe, to increased activity on the part of the Home Owners' Loan Corporation on delinquent loans.



THE chart to the left shows the percentage of all new investments each month invested in urban and farm mortgages by forty-seven life insurance companies. Urban mortgages are slowly coming back into favor. There is no decided trend regarding farm mortgages.



THE chart to the left shows the fluctuations in the bid prices of real estate bonds. There has been a pronounced trend upward in hotel bonds during the past year and a half. Very little recent trend is noticeable in the office building bond line.